

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7206

BILL NUMBER: SB 489

DATE PREPARED: Jan 27, 2002

BILL AMENDED: Jan 24, 2002

SUBJECT: Various Hospital Matters.

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FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill removes political affiliation requirements to be appointed to the governing boards of county hospitals and certain municipal hospitals. It amends qualifications to be on the governing board of those hospitals. It allows a county hospital to have audits performed by certified public accountants. It also removes certain approval procedures required for a county hospital to operate another hospital or a building in a county that contains a hospital in a third class city. This bill allows certain municipal and county hospital boards to meet in executive session to discuss certain topics and to purchase group malpractice insurance together. This bill also updates population parameters to reflect changes in the 2000 decennial Census.

Effective Date: July 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) Under current law, county hospitals are required to be audited by the State Board of Accounts. This bill would allow county hospitals to have their audits conducted by a certified public accountant experienced in auditing hospitals. The bill requires that a certified accounting firm must conduct audits performed in accordance with auditing guidelines established by the State Board of Accounts. The bill further requires that hospitals choosing to use certified accounting firms give the State Board of Accounts 180 days notice before the beginning of the hospital's fiscal year that they intend to do so. The same notice is required if the hospital elects to discontinue the use of a certified accounting firm and be audited by the Board of Accounts. Due to the State Board of Account's backlog of audits, the agency would not experience an impact from this provision. The state agency charges \$45 per day for governmental unit audits.

Explanation of Local Expenditures: (Revised) This bill also provides that county hospitals may purchase, in agreement with other county hospitals, group medical malpractice insurance. This provision could potentially result in a cost savings to the county hospitals, depending on their financial situations.

Hospitals electing to use a certified accounting firm may spend more for auditing services than those using the State

Board of Accounts. However, this would reflect a local decision made by the governing body of the hospital.

Explanation of Local Revenues:

State Agencies Affected: State Board of Accounts.

Local Agencies Affected: County Hospital Governing Boards.

Information Sources: Mike Fiwek, State Board of Accounts, (317) 232-2514.